

REVISED DIRECT TESTIMONY

of

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Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Ameren Illinois Company d/b/a Ameren Illinois
Proposed general increase in gas rates

Docket No. 13-0192

June 27, 2013

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SCHEDULES

- Schedule 2.01 – Adjustment to Cash Working Capital
- Schedule 2.02 – Adjustment to Uncollectibles Expense
- Schedule 2.03 – Adjustment to Non-union Wages
- Schedule 2.04 – Adjustment to Expenses for Outside Professional Services
- Schedule 2.05 – Adjustment to Employee Benefits

ATTACHMENTS

- Attachment A – Company Response to DGK-9.02
- Attachment B – Company Response to DGK-14.01
- Attachment C – Company Schedule G-5, p. 7
- Attachment D – Company Response to DGK-7.02
- Attachment E – Company Response to DGK-7.02, Attach 2
- Attachment F – Company's Response to Staff DR DGK-2.01 (Attachment), p. 2
- Attachment G – Instructions for ILDOR Form RPU-6

1 **Witness Identification**

2 Q. Please state your name and business address.

3 A. My name is Daniel G. Kahle. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed as an Accountant in the Accounting Department of the Financial
7 Analysis Division of the Illinois Commerce Commission ("Commission").

8 Q. Please describe your background and professional affiliations.

9 A. I have a Bachelor of Science degree in Accountancy from the University of
10 Illinois. I am a Certified Public Accountant, licensed to practice in the State of
11 Illinois. My prior accounting experience includes seventeen years as an internal
12 auditor for the State of Illinois, including four years as Chief Auditor at the
13 Department of Commerce and Economic Opportunity ("DCEO"), five years as an
14 Accounting Office Manager at DCEO, as well as two years as an Assurance
15 Services Manager in a public accounting firm. I joined the Staff of the Illinois
16 Commerce Commission ("Staff") in April, 2006.

17 Q. Have you previously testified before this Commission?

18 A. Yes, I have testified before the Commission on several occasions.

19 Q. What is the purpose of your testimony in this proceeding?

20 A. The purpose of my testimony is:

21 1. To propose adjustments to the operating statements and rate base
22 concerning Cash Working Capital ("CWC"), uncollectible expense, non-

union wages, outside professional services and employee benefits of Ameren Illinois Company ("AIC", "Ameren Illinois" or the "Company");

2. To propose an alternate gross revenue conversion factor; and

3. To recommend a finding regarding the amount of uncollectible expense that will be included in the Company's base rates for purposes of the Company's future Rider GUA – Gas Uncollectible Adjustments reconciliations.

Schedule Identification

Q. Are you sponsoring any schedules as part of your testimony?

A. Yes. I am sponsoring the following schedules, which show data as of, or for the test year ending, December 31, 2014:

ADJUSTMENT SCHEDULES

Schedule 2.01 – Adjustment to Cash Working Capital

Schedule 2.02 – Adjustment to Uncollectibles Expense

Schedule 2.03 – Adjustment to Non-union Wages

Schedule 2.04 – Adjustment to Expenses for Outside Professional Services

Schedule 2.05 – Adjustment to Employee Benefits

Q. Are you sponsoring any attachments as part of your testimony?

A. Yes. I am sponsoring the following attachments:

Attachment A – Company Response to DGK-9.02;

Attachment B – Company Response to DGK-14.01;

Attachment C – Company Schedule G-5, p. 7;

Attachment D – Company Response to DGK-7.02; and

Attachment E – Company Response to DGK-7.02, Attach 2.

Attachment F – Company's Response to Staff DR DGK-2.01 (Attachment), p. 2

48 Attachment G – Instructions for ILDOR Form RPU-6

49 **Adjustment to Cash Working Capital**

50 Q. Please describe Schedule 2.01: Adjustment to Cash Working Capital.

51 A. Schedule 2.01 for each rate zone presents my proposed adjustments to the
52 Company's CWC based on my calculation of CWC using the Gross Lag
53 Approach. This schedule also reflects certain adjustments to the test year
54 revenues, expenses and lead days. The final balance of CWC will be
55 established using the revenue requirement and methodology that is ultimately
56 approved by the Commission in this proceeding.

57 Q. Please explain "Cash Working Capital."

58 A. Cash Working Capital is the amount of funds required from investors to finance
59 the day-to-day operations of the Company. In other words, CWC reflects the
60 amount of cash a company needs to keep on hand to pay its cash operating
61 expenses after taking into account its cash revenues. A company's CWC
62 requirement may be positive or negative, depending on whether revenues are
63 received, on average, slower or faster than expenses are paid.

64 In this case, CWC to be included in rate base is based on a lead-lag study. A
65 lead-lag study analyzes the date of payments for goods and services compared
66 to the date the goods and services were received and also analyzes the date
67 customers were billed for utility services and the date that the company received
68 payment from the customers. In general, lag times are associated with the
69 collection of revenues owed to the Company (that is, the collection of cash from

customers lags behind the Company's cash outlays for the provision of service).
Lead times are associated with the payments for goods and services received by
the Company (for example, vendors may allow the Company to pay for goods
and services after the goods and services were received).

Q. What are the primary differences between your calculation of CWC and the
Company's calculation of CWC?

A. The differences between my calculation of CWC and the Company's calculation
of CWC are the measurement of expense lead days for certain pass-through
taxes.

Q. Your calculation of CWC differs from the Company's calculation of CWC because
of a difference in the measurement of lead days for pass-through taxes. Please
explain what pass-through taxes are.

A. Pass-through taxes are taxes that are added on to ratepayers' bills, collected by
the Company and then forwarded by the Company to the appropriate taxing
authority. The Company treats municipal utility taxes, energy assistance
charges, the Illinois Public Utility Tax and the ICC Gross Revenue Tax as pass-
through taxes.¹

Q. Are pass-through taxes included in the revenue requirement?

A. No. The Company did not include pass-through taxes in its revenue
requirement. It is appropriate for the Company to exclude pass-through taxes

¹ Ameren Ex. 12.0, p. 5

because pass-through taxes are not operating expenses to be recovered through the revenue requirement.

Energy Assistance Charges Lead

Q. Please explain your proposal for the Energy Assistance Charges (“EAC”) lead.

A. I use an expense lead of 41.84 days for EAC in my CWC calculation rather than the 4 days proposed by the Company.

Q. Why do you use 41.84 lead days for EAC?

A. EAC payments are required to be made on or before the 20th day of each month for charges collected during the preceding month.² Assuming that collections are made evenly throughout a month, the Company would collect EAC, on the average, by the midpoint of a month, or at 15.21 days into the month. Combining the midpoint of the collection month with the required remittance of 20 days following the month-end and 7.14 days of bank float time³ for EAC remittances results in a lead time of 42.35 days (15.21 days + 20.00 days + 7.14). The Company makes this calculation in its workpaper, WPB-8, that supports its Schedule B-8. The Company further calculates a weighted average of EAC remittances to arrive at an EAC lead time of 41.84 days.⁴

Q. How did the Company arrive at its proposed lead time of 4 days?

² Company’s Response to Staff DR DGK-2.01 (Attachment), p. 2: Illinois Department of Revenue instruction “When must I file Form RG-6” (ICC Staff Exhibit 2.0, Attachment F).

³ Company workpaper WPB-8, Taxes worksheet.

⁴ *Id.*

108 A. The Company follows a practice of remitting EAC by the 20th of the month
109 following service provision⁵ rather than the month following collection. Assuming
110 collection by the midpoint of the month following service provision, the Company
111 computes a 4-day lead from the estimated collection of the preceding month's
112 billing to the 20th of the month due date. The Company uses the 4-day lead time
113 in its CWC calculation rather than the 41.84 day lead time the Company
114 computed itself using actual tax periods and required remittance dates in its
115 workpaper WPB-8.

116 Q. Why isn't the Company's proposal appropriate?

117 A. The Company's practice of remitting EAC based on billing results in EAC being
118 remitted earlier than required. The Company applies their practice to the CWC
119 calculation and reduces payment leads which results in a lower expense lead
120 and thereby a higher CWC component. Ratepayers should not be penalized with
121 a higher CWC component based solely on the Company's practice of remitting
122 the taxes earlier than the taxes are due. The Company's workpaper, WPB-8,
123 accurately measures EAC lead time. EAC remittances are required 20 days after
124 the month in which the charges are collected. The Company's own workpaper
125 supports collection of EAC by mid-month (15.21 days), required payment after
126 month-end (20.00 days), and float time on payments (7.14 days). The
127 Company's workpaper correctly calculates EAC lead as 15.21 days + 20 days +
128 7.41 days = 42.35 days; which calculates to 41.84 days after weighting EAC
129 remittances.

⁵ Ameren Ex. 12.0, p. 6.

130 **Illinois Gas Use and Gas Revenue Tax Expense Lead**

131 Q. Please explain your proposal for the Illinois Gas Use and Gas Revenue Tax
132 ("GAS TAX") expense lead.

133 A. I use an expense lead of 29.79 days for the GAS TAX lead in my CWC
134 calculation rather than the 1 day proposed by the Company.

135 Q. Why do you use 29.79 lead days for the GAS TAX?

136 A. GAS TAX payments are required to be made on or before the 15th day of each
137 month for taxes on receipts and therms delivered during the preceding month.⁶
138 GAS TAX receipts are the amount received for gas distributed, supplied or sold
139 and for related services.⁷ Assuming that collections are made evenly throughout
140 a month, the Company would collect the GAS TAX, on the average, by the
141 midpoint of a month or at 15.21 days into the month. Combining the midpoint of
142 the collection month with the required remittance of 15 days following the month-
143 end results in a lead time of 30.21 days (15.21 days + 15.00 days). The
144 Company makes this calculation in its workpaper, WPB-8, that supports its
145 Schedule B-8. The Company's calculation uses actual payment dates and
146 further calculates a weighted average of the GAS TAX remittances to arrive at a
147 GAS TAX lead time of 29.79 days.⁸

148 Q. How did the Company arrive at its proposed lead time of 1 day?

⁶ Company's Response to Staff DR DGK-2.04 (Attachment), p. 2: Illinois Department of Revenue instruction "When must I file Form RG-1".

⁷ *Id.*

⁸ Company workpaper WPB-8, Taxes worksheet.

149 A. The Company follows a practice of remitting the GAS TAX by the 15th of the
150 month following billing rather than the month following receipt. Assuming
151 collection by the midpoint of the month following billing, the Company computes
152 a 1 day lead from the estimated collection of the preceding month's billing to the
153 15th of the month due date. The Company uses the 1-day lead time in its CWC
154 calculation rather than the 29.79 day lead time the Company computed itself
155 using actual tax periods and required remittance dates in its workpaper WPB-8.

156 Q. Why isn't the Company's proposal appropriate?

157 A. The Company's practice of remitting the GAS TAX based on billing results in the
158 GAS TAX being remitted earlier than required. The Company applies their
159 practice to the CWC calculation and reduces payment leads which results in a
160 lower expense lead and thereby a higher CWC component. Ratepayers should
161 not be penalized with a higher CWC component based solely on the Company's
162 practice of remitting the taxes earlier than the taxes are due. The Company's
163 workpaper, WPB-8, accurately measures the GAS TAX lead time. GAS TAX
164 remittances are required 15 days after the month in which the receipts are taxed.
165 The Company's own workpaper supports collection of the GAS TAX by mid-
166 month (15.21 days) and required payment after month-end (15 days). The
167 Company's workpaper correctly calculates the GAS TAX lead as 15.21 days +
168 15.00 days; which calculates to 29.79 days after weighting the GAS TAX
169 remittances.

170 **Prior Dockets**

171 Q. Have the lead times for pass-through taxes been addressed in the Company's
172 prior dockets?

173 A. Yes. The lead times for pass-through taxes were addressed in the Company's
174 two most recent gas rate cases, Docket No. 11-0282 and Docket Nos. 07-0585,
175 07-0586, 07-0587, 07-0588, 07-0589 and 07-0590 (cons.) and in the Company's
176 two electric formula rate cases, Docket Nos. 12-0001 and 12-0293.

177 Q. What did the Commission determine in the prior gas rate case dockets?

178 A. In Docket Nos. 07-0585, 07-0586, 07-0587, 07-0588, 07-0589 and 07-0590
179 (cons.), the Commission adopted pass-through tax lead times of (27.581) days
180 for EAC and (22.581) days for the GAS TAX as agreed to by the parties.⁹

181 In Docket No. 11-0282, the Commission adopted pass-through tax lead times of
182 (4.0) days for EAC and (1.0) days for the GAS TAX, which is the Company's
183 position in this proceeding.¹⁰ The Commission also stated that it would revisit
184 this issue if the Company altered its remittance schedule.¹¹

185 Q. Did the Company alter its remittance schedule after Docket No. 11-0282?

186 A. No.¹²

187 Q. Did the Commission revisit this issue in subsequent dockets?

⁹ Orders, Docket No. 07-0585 et al. (cons.), Appendices D, E and F, p. 6.

¹⁰ Order, Docket No. 11-0282, Appendices A, B and C, p. 10.

¹¹ Order, Docket No. 11-0282, p. 14.

¹² Ameren Ex. 12.0, p. 6.

188 A. Yes. In both Docket No. 12-0001 and No. 12-0293, the Commission adopted
189 Staff's position of zero revenue days for pass-through taxes and pass-through
190 tax lead times of (38.54) days for EAC.¹³ These dockets did not include the GAS
191 TAX.

192 Q. Are the EAC filing requirements in the formula rate case dockets the same as the
193 EAC filing requirements in the gas rate case dockets?

194 A. Yes. The Company uses Illinois Department of Revenue Form (ILDOR) RG-6 for
195 its gas utilities and ILDOR Form RPU-6 for its electric utilities. The instructions
196 for these forms are practically identical except for their names and references to
197 either gas or electric.¹⁴

198 Q. Is your reasoning for the GAS TAX lead days the same as your reasoning for
199 EAC lead days?

200 A. Yes. In both cases, the Company is remitting payment earlier than required and
201 creating a greater CWC component, and thereby a greater rate base, based
202 solely on the Company's practice of remitting the taxes earlier than they are due.
203 Since the Company paid these pass-through taxes prior to the date payment was
204 due, the Company's practice reduced payment leads which resulted in a lower
205 expense lead and thereby a higher CWC component. My approach does not
206 penalize ratepayers with a higher CWC component based solely on the
207 Company's practice of remitting the taxes before the taxes are due.

¹³ Orders, Docket No. 12-0001, Appendix, p. 9 and Docket No. 12-0293, Appendix, p. 9.

¹⁴ Instructions for ILDOR Form RG-6 (ICC Staff Exhibit 2.0, Attachment F) and ILDOR Form RPU-6 (ICC Staff Exhibit 2.0, Attachment G).

208 **Adjustment to Uncollectibles Expense**

209 Q. Please describe Schedule 2.02: Adjustment to Uncollectibles Expense.

210 A. Schedule 2.02 for each rate zone presents my proposed adjustments to the
211 amount of uncollectibles expense included in base rates. My adjustments
212 calculate uncollectibles expense using a percentage derived from a three-year
213 average of net write-offs of accounts receivable. My adjustments to
214 uncollectibles expense are on line 3 of Schedule 2.02.

215 Based on the percentage that I have derived, I am also recommending a change
216 to the Gross Revenue Conversion Factor ("GRCF"). My recommended
217 uncollectibles percentages for the GRCF, line 5 of Schedule 2.02, are:

Rate Zone	Uncollectible Percentage
I	0.9398 %
II	1.0796 %
III	0.9400 %

218

219 Q. What is your rationale for adjusting the amount of uncollectibles expense
220 included in base rates on a three-year average of net write-offs of accounts
221 receivable.

222 A. I used a three-year average of net write-offs, for each rate zone, as ordered by
223 the Commission in the Company's most recent gas rate case. In that rate case,
224 the Commission found that using net write-offs was more appropriate because

225 net write-offs employ actual amounts in the calculation¹⁵ and adopted a three-
226 year average of net write-offs to calculate uncollectibles expense.¹⁶

227 Q. Did the Company use a three-year average of net write-offs to calculate the
228 amount of uncollectibles expense it included in base rates in this proceeding?

229 A. No. According to the Company's response to Staff Data Request ("DR") DGK-
230 9.02, the Company used historical information and economic factors to forecast
231 net uncollectible expenses for 2013 and 2014. After the amount of net
232 uncollectible expenses for 2013 and 2014 were forecast, a ratio of write-off and
233 recoveries, based on eleven months of 2012, was applied to calculate forecasted
234 gross uncollectibles and recoveries.¹⁷

235 In the Company's response to Staff DR DGK-14.01, the Company further
236 explained that uncollectible expense, as a percentage of revenue, is calculated
237 for the previous five years and the current year. The current year, 2012, includes
238 five months actual and seven months of forecasted write-offs. For future years,
239 2013 and 2014, twelve months of forecasted revenues are used to make
240 reasonable assumptions for uncollectible expense as a percent of revenue.¹⁸

241 The Company's responses to Staff DRs DGK-9.02 and DGK 14.01 appear to be
242 inconsistent with each other and neither are consistent with the Commission's

¹⁵ Order, Docket No. 11-0282, pp. 25-26.

¹⁶ *Id.*, pp. 23-24.

¹⁷ Company Response to Staff DR DGK-9.02 (ICC Staff Exhibit 2.0, Attachment A).

¹⁸ Company Response to Staff DR DGK-14.01 (ICC Staff Exhibit 2.0, Attachment B).

243 directive¹⁹ to base uncollectible expenses on a three-year average of net write-
244 offs.

245 Q. Do you have any other observations concerning the Company's proposed
246 uncollectible expense?

247 A. Yes. As shown in the following table, the Company's responses to Staff DRs
248 DGK-9.01 and DGK-9.02 indicate that test year gross write-offs are forecasted at
249 \$14,642,712 which is an increase of 40% over 2012 actual amounts.

Description	2014	2012	Increase Amount	Increase Percentage
Gross Write-offs	\$14,642,712	\$10,465,000	\$4,177,712	40%
Source	AIC response to DGK-9.02	AIC response to DGK-9.01	2014 Amount minus 2012 Amount	Increase Amount divided by 2012 Amount

250 Q. Please describe your proposed change to the GRCF.

251 A. I propose changing the GRCF to utilize the uncollectible rates indicated above
252 and calculated on ICC Staff Exhibit 1.0, Schedule 1.07.

253 Q. Provide your rationale for also changing the GRCF.

254 A. It is necessary to also change the GRCF because my adjustment to
255 uncollectibles expense adjusts only the uncollectibles expense associated with
256 revenues at present rates. There will also be an impact on uncollectibles
257 expense associated with the change in revenues that result from this proceeding.

¹⁹ Order, Docket No. 11-0282, pp. 25-26.

258 The GRCF adjusts uncollectibles expense for the change in revenues from
259 present rates. The Staff proposed GRCF sponsored by Staff witness Mary
260 Everson, ICC Staff Exhibit 1.0, Schedule 1.07, for each rate zone incorporates
261 the percentage of uncollectible revenues that I have calculated based upon the
262 three-year average of net-write offs of account receivables.

263 Q. Do you have any other observations concerning the Company's proposed
264 GRCF?

265 A. Yes. The Company did not use the uncollectible rates from its Schedule C-16 in
266 determining its proposed GRCF.²⁰ The uncollectible rate used to determine the
267 GRCF should be the rate calculated using the Company's three-year average of
268 net write-offs.

269 **Uncollectible Accounts Expense for Rider GUA**

270 Q. How is uncollectible accounts expense established in Rider GUA – Gas
271 Uncollectible Adjustment?

272 A. For 2013 and subsequent years, Rider GUA establishes the incremental
273 uncollectible adjustment amounts as the difference between the actual
274 uncollectible expense amounts based on the Company's net write-offs for the
275 year and the uncollectible amounts included in the utility's rates that were in
276 effect for such reporting year.²¹

²⁰ Company Schedules A-2.1 and C-16.

²¹ Rider GUA, 2nd Revised Sheet No. 42.001.

277 Q. What is the uncollectible amount to be included in the Company's rates to be
278 used to determine incremental uncollectible adjustment amounts in Rider GUA
279 for the test year?

280 A. The uncollectible amount to be used to determine incremental uncollectible
281 adjustments in Rider GUA will be the uncollectible accounts expense determined
282 by the Commission in this proceeding. In ICC Staff Exhibit 1.0, Schedule 1.01,
283 the uncollectible accounts expense is in column (k), line 4. The final uncollectible
284 accounts expense will be established using the revenue requirement and
285 methodology that is ultimately approved by the Commission in this proceeding. I
286 therefore recommend that the Final Order in this proceeding include a finding
287 and ordering paragraph that states:

288 (x) It is further ordered that the uncollectibles expense included in base
289 rates for AIC is \$yyy for Rate Zone I, \$yyy for Rate Zone II, and \$yyy for
290 Rate Zone III.

291 The amounts used for the uncollectibles expense should be the amounts
292 determined in the Final Order that correspond to ICC Staff Exhibit 1.0, Schedule
293 1.01. The uncollectible accounts expense is in column (k), line 4 of Schedule
294 1.01.

295 **Adjustment to Non-union Wages**

296 Q. Please describe Schedule 2.03: Adjustment to Non-union Wages.

297 A. Schedule 2.03 presents my proposed adjustments to change the increase for
298 non-union wages to a more reasonable amount. My adjustment is calculated
299 using the 2012-2016 Consumer Price Index ("CPI") inflation rate of 2.28% as

300 forecasted by the Survey of Professional Forecasters ("Survey")²² for the 2013
301 and 2014 pay increases. I used this rate to escalate the Company's 2012 actual
302 non-union wages to determine test year non-union wages.

303 Q. What is the Companies' proposed test year percentage increase in non-union
304 wages and rationale for such an increase?

305 A. The Companies' proposed increase in non-union wages were forecast to
306 increase 4.00% in each calendar year 2013 and 2014 over 2012 levels.²³

307 The Company based its non-union wage increase forecasts on its analysis of
308 prior years' data as well as the economic environment and market trends. The
309 Company also analyzed special adjustments, job classification changes, merit
310 increases, market pay adjustments and promotions. For merit increases, the
311 Company reviews market trends on an annual basis to assist in determining the
312 annual merit budget.²⁴

313 Q. How does the test year increase of 4.00% compare to the historical trend of the
314 Company's non-union wage increases?

315 A. The Company's proposed 2013 and test year 4% percentage increases in non-
316 union wages appear overstated in comparison to the years 2009 through 2012

²² Fourth Quarter 2012 report, as produced by the Research Department of the Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters, <http://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2012/survq412.cfm>, November 9, 2012. The Survey aggregates the forecasts of approximately thirty forecasters. Percentage utilized reflects the report's Long-Run projections for 2012 through 2016.

²³ Company Schedule G-5, p. 7 (ICC Staff Exhibit 2.0, Attachment C).

²⁴ Company Response to Staff DR DGK-7.02 (ICC Staff Exhibit 2.0, Attachment D).

317 inclusive, wherein the actual percentage increase in non-union wages was 3.3%,
318 0.6%, 3.5% and 3.8%,²⁵ respectively for a simple average of 2.8%.

319 **Adjustment to Expenses for Outside Professional Services**

320 Q. Please describe Schedule 2.04: Adjustment to Adjustment to Expenses for
321 Outside Professional Services.

322 A. Schedule 2.04 for each rate zone presents my proposed adjustments to reduce
323 expenses for outside professional services. My adjustments remove the impact
324 of out-of-period expenses from the test year since the payments are not
325 necessary for the provision of utility service. The Company's response to Staff
326 DR DGK-15.01 identified the expense as payments made in 2012 to the
327 surviving spouse of a former IP employee related to post-employment consulting
328 work in a prior period. The agreement called for monthly stipends to be made to
329 the former employee for the rest of his life and then to the former employee's
330 spouse if he preceded her in death. These payments are not appropriate
331 expenses for the test year.

332 **Adjustment to Employee Benefits**

333 Q. Please describe Schedule 2.05: Adjustment to Employee Benefits.

334 A. Schedule 2.05 presents my proposed adjustments to reflect the Company's
335 updated amounts for employee benefits. The Company provided updated
336 employee benefit amounts in its response to AG DR 3.17. The Company's
337 response to CUB DR 3.01 indicates that these updates were not reflected in the

²⁵ *Id.*, Attach 2, "Hist Data" (ICC Staff Exhibit 2.0, Attachment E).

338 Company's supplemental direct testimony. My adjustments reduce the amount
339 of employee benefits included in the Company's direct testimony to the updated
340 amounts. My adjustments are the difference between employee benefits
341 expensed and capitalized as indicated in attachments 2 and 3 of the Company's
342 response to AG DR 3.17. I allocated expenses among rate zones using the
343 allocation percentages for account 926 in the Company's workpaper WPC-4a
344 RZ. I allocated capitalized amounts among rate zones using allocation
345 percentages derived from totaling all plant functions in the Company's workpaper
346 WPB-5 RZ.

347 **Conclusion**

348 Q. Does this conclude your prepared direct testimony?

349 A. Yes.